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SUBJECT: EMBASSY MINSK WEEKLY POL/ECON REPORT - MARCH 14, 2007

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¶1. The following are brief items of interest compiled by Embassy Minsk.

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INTERNATIONAL RELATIONS

¶12. Belarusian Plane Carrying Combat Vehicles Attacked in Somalia

The Belarusian Ministry of Transport's aviation department on March 12 reported that a Belarusian Il- 76 transport plane was attacked in Somalia by grenade launchers as it was approaching an airfield three kilometers away. The plane managed to land safely with damage to the fuselage. It was carrying nine Belarusians, six Ugandans, and allegedly a humanitarian shipment that included two armored combat vehicles. The flight originated in Uganda reportedly as part of a peacekeeping mission with the African Union and UN Security Council. Somalia officials denied the plane was attacked.

¶13. Lukashenko's Kyiv Visit Postponed

On March 12, the Ukrainian president's office announced that this week's meeting between Presidents Lukashenko and Yushchenko was

postponed. President Yushchenko, who was in the Zhytomyr region on March 13 and Denmark on March 15, reportedly said Lukashenko would arrive in Kyiv next week (reftel).

14. GOB Urges UN Human Rights Council to Avoid "Double Standards"

On March 12, Belarus' Permanent Representative to the UN and other international organizations based in Geneva Sergey Aleynik told the state telegraph agency Belta that the UN Human Rights Council (HRC) should avoid "double standards" in its work. According to Aleynik, this was Belarus' "strategic goal" for the HRC. Aleynik confirmed that the Belarusian delegation would participate in hearings and discussions with special rapporteurs and independent experts on human rights around the world.

CIVIL SOCIETY

15. CIS and EU Politicians to Attend March 25 Demonstration

Leaders of Russia's Union of Right Forces Nikita Belykh and Azerbaijan's Musavat party Isa Qambar on March 12 accepted de facto coalition leader Aleksandr Milinkevich's invitation to attend the March 25 opposition demonstration in Minsk, which will celebrate the short-lived independent Belarusian National Republic that formed following WWI. Milinkevich invited dozens of EU, U.S., and CIS politicians to participate in the demonstration in Minsk. Vice President of the European Parliament Mario Mauro and other EU politicians plan to attend the event.

16. Political Prisoner Denied Early Release

Radio Liberty on March 9 reported that Malady Front youth opposition
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movement leader Dmitry Dashkevich received a fourth warning from the prison administration, this time for reading after-hours. The fourth warning makes Dashkevich ineligible for an early release under the amnesty law because he has not taken "the correctional path" and is considered "a persistent violator" of prison regulations. Dashkevich has served six months of an 18-month sentence for running an unregistered group.

17. Teenage Girl a Suspect in Fedaruk-Korban Criminal Case

On March 12, the Prosecutor General's Office notified 17-year-old Anastasiya Palazhanka that she was a suspect in the criminal prosecution of Malady Front youth group leaders Dmitry Fedaruk and Aleh Korban and was summoned for questioning on March 13. Palazhanka was arrested with Korban, Fedaruk and 25 other youths when security services on February 4 raided an apartment where they were holding a meeting. Korban and Fedaruk face charges of running an unregistered organization and could face a fine or a prison sentence up to two years. On March 10 and 11, security forces tried to enter Fedaruk's apartment without producing identification or warrants.

18. Union Denied Permission for Rally in Soligorsk

On March 12, authorities in Soligorsk denied the Belarusian Independent Trade Union (BITU) permission to stage a rally on March 14 to demand an increase in pay and housing loan programs for company workers. According to the Soligorsk BITU leader Mikalay Novik, authorities cited the flu outbreak as the reason for the permission denial. The BITU plans to apply to hold another demonstration in the future.

INTERNATIONAL TRADE AND INVESTMENT

19. Belarus Ready to Upgrade Your Missiles

On March 13, the Minsk Tetraedr defense industry enterprise announced that it was offering foreign armies its services to

modernize S-200VE Vega long-range missile systems known as SA-5B Gammon. Tetraedr did not have any contracts yet, but was ready to dispatch its experts to sites around the world to make missile systems more efficient and decrease their susceptibility to jamming.

The S-200s can strike targets 250 kilometers away. Established in April 2001, Tetraedr upgrades surface-to-air missile systems, develops and manufactures warfare equipment, and designs software and technologies for radar and control systems.

¶10. Lukoil Ceases Oil Exports To Belarus

Anonymous GOB officials on March 7 reported to the press that Russian oil company Lukoil would cease crude oil supplies to Belarus in March. Lukoil, the largest supplier of crude oil (300,000 per month) to Belarus, cited the lack of clear rules following Russia and Belarus' new oil agreement signed in early 2007. The loss of Lukoil crude will affect Belarus' oil refineries that will now have to purchase more from other suppliers just to continue production. Lukoil may rescind its decision upon the introduction of new rules.

DOMESTIC ECONOMY

¶11. Belarus Ups Excise On Oil Products

Online economic news source Prime-Tass on March 7 reported that in accordance with presidential edict 117, Belarus on March 1 increased excise on oil products sold domestically by 140 percent and gave companies supplying crude oil to Belarus on a tolling basis a USD 24 per ton subsidy. According to an unnamed oil refinery representative, the incentives are not enough to encourage oil processing in Belarus and will not increase the work efficiency of refineries. The representative predicted excise rates will rise to 2006 levels and make the domestic market unprofitable, suggesting that Belarus reduce export duties by the amount Russia charges in export duties on crude oil. Both government and independent economists believe the benefit is not sufficient, fearing Russian crude suppliers will avoid the Belarusian market.

¶12. Belarus to Increase Domestic Drug Production

Deputy Chair of the Belbiyafarm pharmaceutical association Petr Mandrukevich on March 13 told reporters that the Belarusian pharmaceutical industry was to develop and start production of 200 brand name and generic drugs in 2006-2010. According to Mandrukevich, the GOB in the next five years plans to increase drug research spending from USD 4 million to USD 13 million and overall investment in the sector is expected to reach USD 140 million. All drug companies are expected to comply with GMP standards by 2010 and 90 percent of their equipment is to be replaced. Belarusian

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pharmaceutical manufacturers in 2006 reported USD 114 million in sales; 40 percent from exports.

QUOTE OF THE WEEK

¶13. At a March 12 entrepreneur demonstration in Bangalore Square to protest new GOB regulations, one regional entrepreneur leader criticized the government for turning off the electricity:

"The authorities denied us electricity, but last week the BRYU [the pro-government Belarusian Republican Youth Movement] held a demonstration at this spot and had electricity. We [entrepreneurs] pay the taxes to support that stupid organization and we are the ones without electricity."

Stewart